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9 March 1957

MEMORANDUM FOR: Assistant Director for Research and Reports

SUBJECT: Questions Relating to Coal, Polish Requests for  
Specialized Equipment, and Polish Industry and  
Investment (March 5-6, 1957)

NOTE: Copies of the direct questions raised are available for the first two sets, we will present the question, then the answer given.

Coal (Answered by Raczkowski)

1. Q. Can you provide us with information with respect to the working force in coal mining, including present and prospective employment, work-shifts, output per man-hour and conditions of employment?

A. The following labor force figures:

1939 - 250,000

1955 - 334,000 (34 percent increase)

1960 - Plan 390,000 (16 percent increase)

Composition of the 1955 labor force was given:

288,000 laborers

21,000 engineers and technicians

25,000 administrative employees, research workers and apprentices.

Poles were short of technicians for the mines after the war. Ratios of technicians to miners given:

43:1,000 for 1949

56:1,000 for 1955

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The standard shift in the mine from 1946-55 was 8-1/2 hours (portal to portal), reduced to 8 hours in 1956.

Initially after World War II, they received quick increases in coal production without significant additions of capital, just kept adding workers. To get more coal for export to finance the Six Year Plan (1949-55), they introduced Sunday shifts with double pay as well as other overtime. These shifts were to be abandoned by 1955 but they couldn't be abandoned and meet production requirements. Sunday shifts (24) were continued through 1956 and at least 12 such shifts must be worked in 1957, hope to abandon Sunday shifts in 1958.

Employment in the mines was characterized by high turnover, as high as 50 percent in some years. To maintain the required rate of employment, "we had to put prisoners and soldiers in the mines." 20,000 prisoners (all of them) were taken out of the mines in 1956 and "most" of the soldiers have now (March 1957) been taken out. Production must be reduced because of these acts, foresee a 2,000,000 MT reduction for 1957. Reduction may not be this great, January 1957 production was well over planned output. (Have had a light winter though) Per capita production in the coal mining industry: (Includes all workers, not just miners.)

1946 - 1,004 KG  
1949 - 1,328 (the peak year)  
1955 - 1,163  
1956 - About 1955 level  
1960 - 1,235 (Plan)

- 2 -

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The principal causes for the fluctuations were characterized as:

- 1) High labor turnover.
- 2) Too little capital equipment introduced into the mines.
- 3) Miners objected to much of the capital equipment installed.
- 4) Extension of the transport distances that coal had to be moved underground.

Coal miners other than "prisoners and soldiers" did have freedom to move from job to job as they chose.

Mr. Raczkowski mentioned that they had trouble using conventional coal cutting machinery in deep mines because of pressure as well as because of the large number of props that had to be installed.

2. Q. What are wage rates in coal mining and how do they compare with wages in other industries?

A. Wages in mining have been higher than the industry average and higher than in most other industries; for 1955 average wage in the coal mining industry was 1,715 zloty per month, average for all industrial workers was 1,221. Since 1955 (and before as well) the coal miners have been given many additional "fringe benefits" not available to other workers as well as additional wage increases. These additional incentives have brought additional labor into the mines.

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To give some additional meaning to the wages, Mr. Raczkowski gave some common consumer goods prices warning that for some there were wide ranges in quality and seasons but that he would try to cover these with price ranges:

Kg Bread	3.5 zloty
Meat	16 - 35
Sugar	12
(per unit) Eggs	1.3 - 1.5
(liter) Fresh milk	2.25
(pair) Shoes	300
Wool Suit	700 - 2,000
Rent for flat incl. heat	50 - 100 per month. (Varies with income bracket)

3. Q. In Western countries it has been necessary to provide special incentives to workers in order to maintain employment in coal-mining. To what extent is this true in Poland? Is it proposed to broaden incentives in connection with Poland's general program of liberalization (for example, as is anticipated in the field of agriculture)?
- A. Much of this question has been answered above. Raczkowski mentioned first the Miner's Charter, negotiated in 1949. Miners had special consumer goods held out for their purchase, they were given better working conditions (machinery which they fought for fear it would create unemployment among them), they were given added holidays

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and special honors and awards. In 1956 special cash bonuses were instituted. Since early 1955, special efforts are being made to provide additional (and better) residential construction for the miners. A new town was built near one of the mines in Silesia and additional housing units are being built in all mining communities. In 1957 a scheme was established to give the workers councils at mines exceeding plan production goals bonuses in foreign exchange. Planners anticipate this money will be used to buy fancy consumer goods abroad. Miners still have priority in buying scarce consumer goods, especially consumer durables.

4. Q. In order to increase exports of coal, is it anticipated that allocations of coal for domestic consumption will be reduced? Can you provide information on total Polish coal consumption for a past and a planned year by major categories (e.g. railroads, industry and residential heating)?

A. They hope to reduce domestic consumption by rationalizing industrial and other use of coal rather than by administrative cuts. Hope to reduce 1957 consumption by 1-1/2 million MT. Consumption data by broad category was given for 1955 and 1960:

<u>Sector</u>	<u>000,000 MT</u>		
	<u>1955</u>	<u>1956</u>	<u>1960(Plan)</u>
Industry	48.3	--	50.8
Railroads	9.1	--	9.1
Household use	13.1	18.1	21.6
Exports	24.1	19.2	18.1

- 5 -

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The price of coal especially to industry has been exceedingly low. The price has always exceeded production cost, however. They plan to increase the price of coal somewhat; this means little to state other than accounting, coal profits will go up, coal using industry profits will go down. Plan other means of economizing such as dieselization and electrification of railroads, will use more brown coal for electricity and more peat for rural heating. Now produce about 5 million MT of brown coal. They have no interest in AE for generating electricity, coal resources are too great and too cheap. Poles will not have their first experimental power reactor in production for 8 - 9 years.

5. Q. To what extent will the contemplated economies in certain uses of coal be offset by increased consumption connected with the potential expansion of the chemical industry or with the establishment of new industries which are heavy consumers of coal?

A. Coal consumption by industry will increase despite economies, see above.

6. Q. Have recent trade and payments commitments with the East and West involved advance commitments which would require increased exports above the present level.

A. No such commitments have been made since the settlement of Polish obligations for nationalization of French property in Poland and none

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are anticipated. Have settled with Soviet in 1953 although rising price of coal has made it too advantageous to the Poles to negotiate only current or short-period sales.

7. Q. Do you intend to make up in later years, through larger exports, the current short-fall in coal deliveries to countries of the Soviet Bloc?

A. We see no likelihood of increasing exports above present levels, wish to maintain production increases as nearly equal to the growth of other industry as possible to secure foreign exchange and get the goods needed from other areas.

- 7 -

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Specialized Equipment (Answered by Kotlicki)

1. Q. Would Poland be prepared to give assurances to American manufacturers against infringement of patent rights in equipment exported to Poland from the United States?  
A. Poland will give such assurances to all suppliers of such equipment. This is common practice in the present trade between Poland and other nations of the capitalistic countries.
2. Q. Some American manufacturers customarily ask that equipment sold by them abroad be serviced by their own expert personnel in order to preserve the reputation of the product. Would Poland be prepared to facilitate such servicing?  
A. Polish delegation was delighted to see this question. They had been prepared to request that American technicians be permitted to enter Poland to set up and service equipment. They "had entertained certain doubts, could the expert personnel get permission to go to Poland?"
3. Q. Would Poland consider making licensing arrangements with American manufacturers which would enable Poland to produce American-type equipment through payment of royalties to American owners of the designs.  
A. Poland would be happy to facilitate such arrangements. "They have such arrangements with other countries; all include provisions for international arbitration."

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Industry and Investment (Answered by Karpinski)

1. Q. How do the Poles expect to maintain rates of industrial growth comparable to those of 1949-55 during 1956-60 in view of the sharp reduction in industrial investment?

A. The first plan (3 years) was devoted to construction, the second (6 years) to rapid industrialization, the present plan (5 years) is to be devoted to the reduction of disproportions which grew out of accelerated industrial emphasis of the previous plan. Evening out the shares of productive activity is expected to yield growth comparable to the previous period even with planned rates of investment. Some indication of these changes is exhibited by ratio for 1954-56.

	<u>1954</u>	<u>1955</u>	<u>1956</u>
Investment (Percentage of Gross Product	24	23	20
Industrial Output (Percentage increase from previous year)	11.6	11.0	9.9

After 1957, Poles anticipate an industrial growth of 10-11 percent per annum. Factors which should permit this increase are:

- 1) Relatively low starting point in many industries, particularly consumer good industries.
- 2) High share of "productive" investment to the total investment.

(Answer to 2 below tends to deny this point.)

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- 3) High degree of economic effectiveness under socialism.
  - 4) Productivity of workers will increase more rapidly because of better training.
  - 5) The total labor force becoming available will increase considerably during the period, 3.5 percent for agriculture, and 14 percent for industrial employment.
2. Q. With declining investment and increases in consumption, how may Poland sustain its national income? Give some indication of the allocation of Polish investment for some specific years.

A. Although there has been a reduction in the share of product going to investment, total investment outlays have increased from 50 billion zloty in 1955-56 to 52.8 billion zloty in 1957. The breakdown of investment by specific years tends to cloud certain long-run relationships, will compare a breakdown for 1950-55 with 1956-60.

<u>Sector</u>	<u>Percentage Share of Total Investment</u>	
	<u>1950-55</u>	<u>1956-60</u>
Industry	46.3	43.4
Agriculture and Forestry	10.0	12.5
Transport	12.2	10.0
Construction		
Residential	10.4	14.4
Non-Residential	3.5	4.7
Social and Cultural	5.3	6.4
All other (e.g. trade, admin., etc.)	12.7	8.6

- 10 -

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The principal objective of the present plan is to improve the position of the consumer as quickly as possible. May be seen by planned rate of increase of certain sectors from 1956 to 1957.

	<u>1956/1957</u>
All Industry	102.3
Consumer Goods	113.3
Capital Goods	100.X (less than 1 percent increase)

3. Q. How may the West be assured the Poles will not increase their coal and other exports to Bloc countries once their investment and foreign exchange problems with the West are solved?

A. Difficulties with Polish shipments to the Bloc arose from the disparate growth in industry and coal production in Poland but also from a need to assure Poland's creditors and contacts in the West. Poland reduced shipments of coal to the Bloc to assure our balance of payments and will stay there in at least the present levels in the near future. (I understood the time period referred to be 5-6 years.)

4. Q. What sort of commitments to CEMA has Poland made or may CEMA make on Poland which would vitiate arrangements Poland may make in the West?

A. (Kotlicki answered this.) CEMA is concerned only with relations among Bloc countries, these arrangements are limited in scope and may be made only with unanimous consent of the parties involved.

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(I received the impression these agreements are fragmentary and of rather short duration as they affect foreign trade.) Speaker characterized CEMA as much less comprehensive in scope than the joint activities which have been established in Western Europe. (Much of the pressure to join CEMA agreements which the USSR has exercised in the past has come through the Party apparatus rather than "formal" deliberations and decisions of CEMA, thus the Poles may not have to contend with any significant pressure from CEMA.

5. Question was an omnibus question which cannot now be identified, dealt with why there were to be reductions in output for 1957.

A. A great deal of attention and money has gone into training and education of Polish industrial workers. It is thought this will result in productivity gains. Coal production will be reduced in an effort to reduce overtime and compulsory laborers in the mines. The small increase in the steel industry contributes. There will be a 1.6 percent reduction in defense outlay and heavy capital goods investment. Efforts are to be directed at improving the quality of the goods rather than concentrating on quantity of production alone.

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